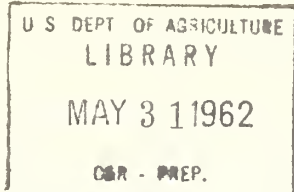


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UNITED STATES DEPARTMENT OF AGRICULTURE,
Economic Research Service + 2a

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FARM-MORTGAGE LENDING EXPERIENCE OF LIFE INSURANCE
COMPANIES, THE FEDERAL LAND BANKS, AND THE FARMERS
HOME ADMINISTRATION, JANUARY THROUGH MARCH 1961

^{2a}
Prepared in the Farm Economics Division //

Nine Federal land banks lowered interest rates on farm-mortgage loans to 5 1/2 from 6 percent in the first quarter of 1961. One bank lowered the rate to 5 3/4 percent, and two did not change from the 6-percent level charged by all banks at the end of the fourth quarter of 1960. Rates on life insurance company funds committed for farm mortgages also declined during the first quarter of 1961. The average rate on life insurance fund commitments was 5.98 percent, compared with 6.05 percent in the previous quarter and 6.08 percent in the first quarter of 1960.

Apparently, the decline in interest rates had some effect on lending activity, since commitments by life insurance companies reporting in the quarterly survey, increased 23 percent in amount from the first quarter and 18 percent from the fourth quarter of 1960. Total commitments by the Farmers Home Administration during the first quarter of 1961 were higher in amount and number than in the first quarter of 1960, but lower than in the last quarter of 1960. However, funds committed for farm-housing loans increased more than commitments of farm-ownership loans compared with the first quarter of 1960, and decreased less than commitments of farm-ownership loans compared with the fourth quarter of 1960.

Life Insurance Companies

Mortgages acquired by the 21 life insurance companies reporting in the first quarter of 1961 showed a slight gain in amount from the comparable period of 1960 and a sizable increase over the amount acquired during the fourth quarter of 1960. The latter change, however, was less than the seasonal increase expected during the quarter. The number acquired in the quarter was less than in the first quarter of 1960, but almost a third more than in the fourth quarter of 1960.

In the first quarter of 1961, the payment rate on farm mortgages held by life insurance companies rose to 4.1 percent of principal indebtedness. This represented an increase of 1.6 percentage points from the 2.5 percent rate in the fourth quarter of 1960 and an increase of 0.3 of 1 percentage point from the 3.8 percent rate in the first quarter of 1960.

In both number and amount, farm mortgages acquired by foreclosure and voluntary conveyance during the first quarter of 1961 remained insignificant compared with the total number and amount of farm mortgages owned.

The proportion of life insurance company farm-mortgage funds committed for farm real estate purchases in the first quarter of 1961 increased slightly from fourth-quarter 1960 levels, but it was still 0.9 of 1 percentage point lower than a year earlier. The proportion committed for refinancing purposes increased by 6.7 percentage points over the previous quarter.

Federal Land Banks

Loans closed by the 12 Federal land banks in the first quarter of 1961 exceeded the number closed in the comparable quarter of 1960 by nearly 8 percent as lending activity picked up from the low point of December 1960. The amount loaned was up 16 percent from the first quarter of 1960. The number and amount of loans outstanding at the end of the quarter were 0.6 and 8.7 percent, respectively, greater than at the end of the same quarter a year earlier.

Farmers Home Administration

Farm-housing and farm-ownership loans made by the Farmers Home Administration were greater in amount and number in the first quarter of 1961 than in the first quarter of 1960, but they were below the levels established in the fourth quarter of 1960.

The payment rate on Farmers Home Administration loans in the first quarter of 1961 was higher than the rate for the fourth quarter of 1960 but slightly lower than the rate for the first quarter of 1960.

The need for larger sums of money for farm investment and operations is indicated by the increase in the average size of loans made by the three lender groups in the survey. Mortgages acquired by the 21 life insurance companies averaged \$22,850 in the first quarter of 1961, \$2,770 more than the average a year earlier and \$8,510 more than the average size of all mortgages held at the beginning of the quarter. Mortgage loans made by the Federal land banks in the first quarter of 1961 averaged \$12,520 in size, \$960 larger than a year earlier and \$5,700 more than the average size of loans outstanding. Farm-ownership loans made by the Farmers Home Administration in the first quarter of 1961 averaged \$16,800 in size, compared with \$15,810 one year earlier and with an average for all outstanding loans of \$8,760.

TABLE 1. - Life insurance companies: Farm-mortgage loans, 21 companies, United States, selected quarters, 1960 and 1961

Item	Quarter ending -			Percentage change, quarters ending -	
	Mar. 31, 1960	Dec. 31, 1960	Mar. 31, 1961	Mar. 31, 1960, and Mar. 31, 1961	Dec. 31, 1960, and Mar. 31, 1961
				Percent	Percent
<u>Beginning of Quarter</u>					
Mortgages owned:					
Number-----	193,566	194,725	194,390	0.4	-0.2
Principal indebtedness:					
Total ----- 1,000 dollars-----	2,636,203	2,755,748	2,787,085	5.7	1.1
Average ----- dollars-----	13,620	14,150	14,340	5.3	1.3
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	5,051	3,165	4,140	-18.0	30.8
Principal indebtedness:					
Total <u>1</u> /----- 1,000 dollars-----	117,385	84,964	118,254	.7	39.2
Average <u>2</u> /----- dollars-----	20,080	21,970	22,850	13.8	4.0
Increase in principal of mortgages already owned <u>2</u> /- 1,000 dollars-----	19,346	15,938	19,195	-.8	20.4
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	4,743	3,491	4,982	5.0	42.7
Amount:					
Total <u>3</u> /--- 1,000 dollars-----	50,524	32,482	57,450	13.7	76.9
Average <u>4</u> /----- dollars-----	8,050	7,910	9,250	14.9	16.9
Other <u>4</u> /----- 1,000 dollars-----	50,745	37,034	56,611	11.6	52.9
Total ----- do-----	101,269	69,516	114,061	12.6	64.1
Percent of principal indebtedness, beginning of quarter-----	3.8	2.5	4.1	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	2	6	2	0	-66.7
Principal indebtedness:					
Total ----- 1,000 dollars-----	18	49	17	-5.6	+65.3
Average ----- dollars-----	9,000	8,170	8,500	-5.6	4.0

See footnotes at end of table.

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TABLE 1. - Life insurance companies: Farm-mortgage loans, 21 companies, United States, selected quarters, 1960 and 1961 -Continued

Item	Quarter ending -			Percentage change, quarters ending -	
	Mar. 31, 1960	Dec. 31, 1960	Mar. 31, 1961	Mar. 31, 1960, and Mar. 31, 1961	Dec. 31, 1960, and Mar. 31, 1961
End of Quarter				Percent	Percent
Mortgages owned:					
Number <u>5</u> / -----	193,875	194,390	193,543	-0.2	-0.4
Principal indebtedness:					
Total ----- 1,000 dollars -----	<u>6</u> / 2,671,649	2,787,085	2,810,456	5.2	.8
Average ----- dollars -----	13,780	14,340	14,520	5.4	1.3
Mortgages in process of foreclosure:					
Number <u>7</u> / -----	76	63	73	-3.9	15.9
Percent of total -----	<u>8</u> /	<u>8</u> /	<u>8</u> /	---	---
Principal indebted-					
ness <u>7</u> / ----- 1,000 dollars -----	1,711	1,940	1,199	-29.9	-38.2
Percent of total -----	.1	.1	<u>8</u> /	---	---
Mortgages with interest overdue					
more than 3 months:					
Number <u>7</u> / -----	238	129	366	53.8	183.7
Percent of total -----	.1	.1	.2	---	---
Principal indebted-					
ness <u>7</u> / ----- 1,000 dollars -----	5,186	3,419	8,978	73.1	162.6
Percent of total -----	.2	.1	.3	---	---
Mortgage-loan commitments					
during quarter:					
Number -----	5,270	4,698	6,007	14.0	27.9
Amount:					
Total ----- 1,000 dollars -----	132,340	137,496	162,827	23.0	18.4
Average ----- dollars -----	23,460	29,270	27,110	15.6	-7.4

1/ Includes increase in principal indebtedness of mortgages already owned for 2 companies.

2/ 19-company data. 2 companies did not separate principal of farm mortgages acquired and increase in principal of mortgages already owned.

3/ Includes principal payments on farm mortgages not paid in full for 2 companies.

4/ 19-company data. 2 companies did not separate principal payments on mortgages paid in full from payments on other mortgages not paid in full.

5/ Because of consolidation and/or splitting of loans, there was a net increase of 3 loans in the 1st quarter of 1960 and a net decrease of 3 loans in the 4th quarter of 1960 and also in the 1st quarter of 1961.

6/ There was a net increase of \$2,000 owing to consolidation and/or splitting of loans.

7/ 20-company data. Comparable data not available for 1 company.

8/ Less than 0.05 percent.

TABLE 2. - Life insurance companies: Purposes of farm-mortgage-loan commitments, 20 companies, United States, selected quarters, 1960 and 1961

Item	Quarter ending -				
	Mar. 31, 1960	June 30, 1960	Sept. 30, 1960	Dec. 31, 1960	Mar. 31, 1961
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars
Amount of commitments-----	132,152	111,800	98,112	137,428	162,621
	Percent	Percent	Percent	Percent	Percent
Percentage of total funds committed for -					
Farm real estate purchases --	31.9	30.8	30.5	30.7	31.0
Refinancing <u>1</u> / -					
Mortgages held by -					
Own company -----	15.9	15.6	14.8	18.8	21.2
Others -----	15.6	12.8	14.1	13.6	14.2
Total-----	31.5	28.4	28.9	32.4	35.4
Other indebtedness -----	20.9	22.1	18.8	16.4	20.1
Total refinancing ----	52.4	50.5	47.7	48.8	55.5
Repairs and improvements to land and buildings-----	5.5	7.0	7.9	7.6	5.6
Other purposes:					
Known-----	10.2	11.6	13.7	12.9	7.9
Unknown-----	<u>2</u> /	.1	.2	<u>2</u> /	<u>2</u> /
All purposes -----	100.0	100.0	100.0	100.0	100.0

1/ Distribution between mortgages held by own company and by others estimated for 2 companies; distribution of debt refinancing between real estate mortgages held by others and other indebtedness estimated for another.

2/ Less than 0.05 percent.

TABLE 3. - Life insurance companies: Interest rates on farm-mortgage-loan commitments, Jan. 1 through Mar. 31, 1961 1/

Interest rate (percent)	Loans		Amount		Average size of loan
	Number	Percentage distribution	Total	Percentage distribution	
		Percent	Dollars	Percent	Dollars
Less than 5 -----	2	0.1	18,595	2/	9,300
5 -----	8	.3	189,275	.2	23,660
5 1/4 -----	29	.9	964,100	1.0	33,240
5 1/2 -----	491	15.2	11,874,670	12.8	24,180
5 3/4 -----	548	17.0	13,946,372	15.0	25,450
6 -----	1,719	53.3	49,807,956	53.6	28,970
6 1/4 -----	181	5.6	6,955,923	7.5	38,430
6 1/2 -----	233	7.2	8,951,666	9.6	38,420
6 3/4 and over -----	13	.4	294,250	.3	22,630
Total -----	3,224	100.0	93,002,807	100.0	28,850

1/ The weighted average interest rate, based on 3,902 loans and a total amount committed of \$104,701,877, is 5.984 percent.
2/ Less than 0.05 percent.

TABLE 4. - Federal land banks: Farm-mortgage loans, United States, Jan. 1 through Mar. 31, 1960 and 1961 ^{1/}

Item	1960	1961	Percentage change
Loans outstanding, Jan. 1: ^{2/}			
Number -----	374,105	375,868	0.5
Amount -----	2,359,841	2,563,772	8.6
Average -----	6,310	6,820	8.1
Loans closed: ^{3/}			
Number -----	12,782	13,754	7.6
Amount -----	147,933	172,188	16.4
Average -----	11,560	12,520	8.3
Decrease in loans (net):			
Number -----	11,478	11,986	4.4
Amount -----	79,899	95,761	19.9
Average -----	6,960	7,990	14.8
Loans outstanding, Mar. 31: ^{2/}			
Number -----	375,409	377,636	.6
Amount -----	2,427,875	2,640,199	8.7
Average -----	6,470	6,990	8.0

^{1/} Data for 49 States and Puerto Rico. There were no loans in Hawaii.

^{2/} Includes purchase-money mortgages, sales contracts, etc., and excludes loans called for foreclosure.

^{3/} Gross number and amount of all loans closed including new loans that replaced old loans, and loans canceled prior to disbursement of loan proceeds.

Farm Credit Administration, Accounting and Budget Division.

TABLE 5.—Farmers Home Administration: Direct farm-ownership and farm-housing loans, United States, selected quarters, 1960 and 1961 ^{1/}

Item	Quarter ending —			Percentage change, quarters ending —	
	Mar. 31, 1960	Dec. 31, 1960	Mar. 31, 1961	Mar. 31, 1960, and Mar. 31, 1961	Dec. 31, 1960, and Mar. 31, 1961
				Percent	Percent
<u>Beginning of Quarter</u>					
Mortgages owned:					
Number-----	59,197	61,590	63,095	6.6	2.4
Principal indebtedness-----1,000 dollars -----	418,879	446,659	464,717	10.9	4.0
<u>During Quarter</u>					
Mortgages acquired:					
Number-----	1,278	2,187	1,517	18.7	-30.6
Principal indebtedness-----1,000 dollars -----	13,081	23,036	15,092	15.4	-34.5
Increase in principal of mortgages already owned-1,000 dollars -----	1,243	2,475	1,325	6.6	-46.5
Payments on principal of mortgages:					
Mortgages paid in full:					
Number-----	817	659	881	7.8	33.7
Amount ---1,000 dollars -----	3,254	2,457	3,483	7.0	41.8
Other----- do -----	6,749	4,876	7,246	7.4	48.6
Total ----- do -----	10,003	7,333	10,729	7.3	46.3
Percent of principal indebtedness, beginning of quarter ---	2.4	1.6	2.3	---	---
Mortgages on farm properties acquired by foreclosure and voluntary conveyance:					
Number-----	30	23	38	26.7	65.2
Principal indebtedness-----1,000 dollars -----	126	120	100	-20.6	-16.7
<u>End of Quarter</u>					
Mortgages owned:					
Number-----	59,628	63,095	63,693	6.8	.9
Principal indebtedness-----1,000 dollars -----	423,074	464,717	470,305	11.2	1.2

See footnote at end of table.

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TABLE 5. - Farmers Home Administration: Direct farm-ownership and farm-housing loans, United States, selected quarters, 1960 and 1961 ^{1/} --Continued

Item	Quarter ending -			Percentage change, quarters ending -	
	Mar. 31, 1960	Dec. 31, 1960	Mar. 31, 1961	Mar. 31, 1960, and Mar. 31, 1961	Dec. 31, 1960, and Mar. 31, 1961
				Percent	Percent
<u>End of Quarter --Continued</u>					
Mortgages behind schedule in regard to amortization payments:					
Number-----	2,596	2,759	2,443	-5.9	-11.5
Percent of total-----	4.4	4.4	3.8	---	---
Principal indebtedness-----1,000 dollars-----	20,466	22,644	20,333	-.6	-10.2
Percent of total-----	4.8	4.9	4.3	---	---
Mortgages in process of foreclosure:					
Number-----	86	66	69	-19.8	4.5
Percent of total-----	.1	.1	.1	---	---
Principal indebtedness-----1,000 dollars-----	877	697	690	-21.3	-1.0
Percent of total-----	.2	.1	.1	---	---
Mortgage-loan commitments during quarter: ^{2/}					
Farm-ownership loans:					
Number-----	289	467	321	11.1	-31.3
Amount:					
Total ---1,000 dollars-----	5,035	7,664	5,287	5.0	-31.0
Average ----- dollars-----	17,420	16,410	16,470	-5.5	.4
Farm-housing loans:					
Number-----	980	1,670	1,333	36.0	-20.2
Amount:					
Total ---1,000 dollars-----	7,851	13,018	11,017	40.3	-15.4
Average ----- dollars-----	8,010	7,800	8,260	3.1	5.9

^{1/} Data for 48 States only. Separate data for farm-ownership and farm-housing loans are available upon request.

^{2/} Initial loans obligated.

Farmers Home Administration.

TABLE 6. - Farmers Home Administration: Purposes of farm-mortgage-loan commitments, direct farm-ownership loans, United States, selected periods, 1958 through 1961 1/

Item	July 1, 1958, to Mar. 31, 1959	July 1, 1959, to Mar. 31, 1960	July 1, 1960, to Mar. 31, 1961
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Percentage of total funds committed for -			
Farm real estate purchases-----	48	51	45
Refinancing -			
Mortgages held by -			
Farmers Home Administration-----	1	0	1
Others-----	25	27	29
Total-----	26	27	30
Other indebtedness-----	5	3	7
Total refinancing-----	31	30	37
Repairs and improvements to land and buildings-----	21	19	17
Other purposes:			
Known-----	0	0	1
Unknown-----	0	0	0
All purposes-----	100	100	100

1/ Data for 48 States only.

Farmers Home Administration.

